



SOUTH AFRICA – February 2019

CAPE TOWN HOME PRICES SKYROCKET BY 34%..... 1

CAPE TOWN PROPERTY OWNERS COULD SOON BE PAYING HIGHER RATES AND TAXES..... 2

CAPE TOWN HOMEOWNERS, YOU HAVE 60 DAYS TO OBJECT TO YOUR VALUATION 2

CAPE TOWN TO UPDATE ITS PROPERTY VALUATION ROLL 3

CAPETONIANS ABOUT TO FIND OUT WHAT THEIR PROPERTIES ARE WORTH WHEN IT COMES TO RATES 5

CAPE TOWN'S NEW PROPERTY VALUATIONS TO BE LISTED ON FEBRUARY 21 6

Cape Town home prices skyrocket by 34%

Residential property prices in Cape Town have grown considerably past the national trend since 2015, with prices going even beyond this point in some title schemes and residential vacant land.

The five modelling categories that are based on market data and sales used by the City’s Valuation Office show that the value of residential properties in Cape Town has increased by an average of 34% in the three years between the property evaluation cycles. The year-on-year growth in some areas during the first half of 2018 was less substantial than in the past.

The growth in sectional title properties, especially residential estates and vacant land, is an indication of the enabling environment that this administration has established over the years to unlock investment and to make Cape Town a top destination in which to work, play, live, and do business. It shows confidence in how the City is being run, and what has been achieved over the past years.

This increase is a positive for property owners as it reflects a solid return on their investments. Good growth has also been achieved in the lower end of the property market, unlocking asset values as a means of empowerment.

The percentage growth in property value, however, does not determine the percentage of rates increases; these are determined by needed budget and the cent-in-the-Rand. Rate income is used to fund-share public services such as roads, street lights, parks, beaches, area cleansing, libraries, clinics, law enforcement, and fire services.

The General Valuation 2018 Roll (GV2018) contains some 875 000 registered properties in Cape Town.

An indication of the rates payable based on the GV2018 valuation and the rating category will be available on the City’s website in April 2019. This will be after the new rate-in-the-Rand is determined by Council, and this is subject to the City’s budget requirements for the 2019/20 financial year.

The GV2018 Roll will be implemented for the billing of rates with effect from July 1 2019.

The City of Cape Town’s General Valuation (GV) 2018 Roll is now open for public inspection and objection.

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Cape Town property owners could soon be paying higher rates and taxes

The City of Cape Town has opened its 2018 General Valuation Roll for public inspection.

This roll will update the current municipal property values and will form the basis for calculating the new property rates that property owners will be charged from July 2019.

The resulting municipal values will also replace those currently in use which were last calculated in 2015.

In an accompanying statement, the city said that an analysis of the property growth trends across South Africa has shown that residential property prices in Cape Town have grown considerably above the national trend since the 2015 General Valuation roll.

This trend is even greater for certain sectional title schemes and residential vacant land, it said.

“The five modelling categories that are based on market data and sales and that are used by the City’s Valuation Office show that the value of residential properties in Cape Town increased by an average of 34% in the three years between the GV2015 and GV2018 cycles.”

“The growth in sectional title properties, especially residential estates and vacant land, is an indication of the enabling environment that this administration has established over the years to unlock investment and to make Cape Town a top destination in which to work, play, live and do business,” it said.

Rate changes

The city said that the percentage growth in property value will not determine the percentage of rates increases.

“The city looks at what budget is required for the 2019/20 financial year and then the cent-in-the-land is determined by Council,” said the city’s mayoral committee member for Finance, Ian Neilson.

“Rates income is used to fund shared public services such as roads, street lights, parks, beaches, area cleansing, libraries, clinics, law enforcement and fire services.

“A calculation is also done to determine what rebates should be given to the more vulnerable in our society.”

He added that an indication of the rates payable, based on the GV2018 valuation and the rating category, will be available on the city’s website in April 2019.

This will be after the new rate-in-the-land is determined by council and this is subject to the City’s budget requirements for the 2019/20 financial year, he said.

Cape Town homeowners, you have 60 days to object to your valuation

The 2018 General Valuation roll for the City of Cape Town will be open for public inspection and objection on 21 February 2019, which will bring about new rates charges based on the new valuations.

The 60-day objection period is rather short and upon receiving notices, owners should immediately ascertain whether the values determined reflect reasonable market values of their properties as at 2 July 2018.

The impact for property owners is that all properties within the boundaries of the City of Cape Town will be re-valued based on the market value as at 2 July 2018. The new rates and taxes will be payable on the properties, in terms of the new general valuations, as from 1 July 2019.

Property owners should receive notices in February 2019 of the new General Valuation (market value) of their properties and owners will be given the opportunity to object over a 60-day objection period, terminating 30 April 2019.

The 60-day objection period is rather short and upon receiving notices, owners should immediately ascertain whether the values determined reflect reasonable market values of their properties as at 2 July 2018. If not, they will need to object to the

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values themselves or employ the services of a registered professional valuer to assist with their objections. The court has already ruled that objection forms must be correctly completed and reasons given for the proposed objections.

Once the objections are received by the Council, within the requisite time period, the valuations will be assessed by a municipal valuer, who may either agree with the objections and amend the municipal valuations or reject the valuations in the objections.

The process takes time and property owners should get their objections in sooner rather than later. The municipal valuer may also recommend an increase in the values of the properties, if the values published in the 2018 General Valuation Roll are found to be too low. In some instances, the appeal board will need to confirm the adjustments.

Upon receipt of the responses to the objections, if the owners are dissatisfied with the outcome of the objections, the owners may appeal against the new market values, within 30 days of notice of the ruling of the objections. An appeal board hearing is a formal hearing and the owners or their valuer will be given an opportunity to provide oral evidence, as well as an opportunity to cross-examine the municipal valuer. The onus is upon the owner to prove the municipal valuation is wrong. The owner needs to therefore ensure that the appeal application is well prepared with appropriate motivation. The services of a registered professional valuer should be engaged for the appeal, as the owner may be able to achieve substantial savings if it is professionally handled.

Having been involved in Municipal Valuations and objections for more than 35 years, it is essential to remind owners to cooperate with the Valuation Department and to provide any reasonable information that they require. When lodging an objection it is important that you retain a copy for your records and to obtain a receipt as confirmation of the lodging of the objection.

It is essential in properties rented out that the tenant discusses the valuation with the owner so as to ensure that the owner does not prejudice their objection from the outset. Tenants are often liable for the rates increases and also have a right to object.

We provide a comprehensive service of undertaking the valuation, attending on the objection and if necessary the appeal. Remember any reduction obtained in this process can affect the rates you pay for 3 to 4 years, so it is often wise to obtain professional help.

There is concern that owners are receiving letters late and may not be mindful of the fact that there is a general valuation in fact taking place as little has come through in the media. With most people relying on electronic communication and especially new property owners, we are concerned that they will not have sufficient time to object by 30 April 2019.

The high increase in property values in some areas over the past 3 years is likely to result in more objections. However, it will be important to assess your valuation prior to lodging an objection.

Cape Town to update its property valuation roll

Cape Town property owners are urged to inspect the city's soon-to-be released valuation roll and object before August 30 if necessary

The Mother City's 870,000-odd registered property owners should soon know what their new municipal valuations are. More importantly, they'll know whether the City of Cape Town has done a better job than Joburg to ensure that its three-yearly increases are market related.

Joburg residents were up in arms when the council released its general valuation roll for public scrutiny in February 2018 — five years after the city's last valuation roll was published in 2013. Many property owners were hit with what appeared to be disproportionately large valuation increases, and the wrong values were assigned to at least 8,000 properties — mostly commercial buildings and blocks of flats.

Industry players at the time blamed valuation errors on the city rushing its valuation process and using inexperienced assessors. There was also a view that in some cases property values may have been artificially inflated to line the city's coffers.

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HOW CAPE TOWN RATES ARE CALCULATED

Assuming a R5m property value

Residential

Value x cents-in-rand tariff/12
(rebate on first R200,000)

$$((R5m \times R0.007154) - R1430.80)/12 = \mathbf{R2,861.60/month}$$

Commercial

Value x cents-in-rand tariff/12
(no rebate)

$$(R5m \times R0.014208)/12 = \mathbf{R5,920.00/month}$$

Source: Rates Watch

ValueCheck executive director Andrew Watt, who co-founded the company in 2018 to provide municipal valuation data to property owners and assist with review processes, says the City of Johannesburg received more than 50,000 objections from ratepayers last year, many of which are still awaiting an outcome.

Watt says a recent analysis by ValueCheck indicates municipal valuations for residential properties in Joburg increased on average by 35% (from 2013 to 2018) while actual market values only increased an average 23% over the same time, as measured by Lightstone's house price index.

Moreover, several Joburg suburbs were penalised with municipal valuation increases exceeding 60%. These include Benmore Gardens, Parkmore, Craighall Park, Houghton Estate, Victory Park and Greenside. Even lower-income suburbs were slapped with excessive increases — homeowners in Alexandra East Bank, where the median price is just below R800,000, saw municipal values surge nearly 83% on average.

Watt argues that while the city increased the rebate value for residential properties from R200,000 to R350,000 and kept the cent-in-the rand tariff unchanged to mitigate disproportionate increases in valuations, the net result for many property owners was still a large increase in their monthly rates bills. For instance, the monthly rates increase on a home valued at R2m averaged 28.8% when the new valuation roll was implemented on July 1 2018. For properties valued at R5m, the increase amounted to 32.7%.

Watt says the new general valuation rolls to be released in Cape Town, Pietermaritzburg and Polokwane could produce similar discrepancies. "So it's crucial that property owners in these municipalities ensure that their new property values are reasonable and that they follow the right process if they have grounds for an objection."

SA municipalities are all obliged to review the valuations of the properties that fall into their taxation nets at least once every five years under the Municipal Property Rates Act. Monthly municipal rates bills are then calculated using a cent-in-the rand tariff based on a percentage of the total market value of the property (land plus buildings). Each municipality sets its own tariffs, but they differ for residential and commercial properties.

Mike Greeff, CEO of Greeff Christie's International Real Estate, says municipal valuations should be market related and therefore in line with what a willing buyer is prepared to pay. An incorrect municipal valuation will result not only in an additional rates burden, but can also affect a property's resale prospects. Greeff says a lower valuation is similarly problematic, given that it can translate into lower offers being made on your property when you sell.

WHAT IT MEANS

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Property owners must follow the right process if they want to object to valuations

Municipal valuations are based on recent property sales in a particular area, he says. "Physical inspections of individual properties are only undertaken by the city when the information on the roll is doubtful or when extensions or changes have been made to the property." He encourages homeowners who believe their new municipal valuations are unreasonable to get an experienced real estate agent to provide a market-related valuation, which can be used to support a review application.

Ben Espach, a professional valuer and director of industry watchdog Rates Watch, doesn't expect the City of Cape Town's new valuation roll to produce any real surprises or disproportionately high increases. "We don't believe there is any cause for concern as Cape Town's valuation system and property data are regarded as the best in the country." The city has also adopted a three-year review process to minimise any potential shocks. Espach adds: "Besides, when municipal valuations were conducted in July last year the Cape Town housing market had already softened. So new valuations should reflect these changing market conditions."

Cape Town property owners will only be able to lodge an objection to a new valuation once the city publishes its new cent-in-the-rand tariff, which they should receive in July. The objection process closes on August 30. Owners then have 30 days from the date of notice to appeal the outcome.

Capetonians about to find out what their properties are worth when it comes to rates

Property owners in Cape Town are about to receive the latest municipal valuation which will affect the rates they pay for the next five years.

Deputy mayor Ian Neilson said the objection period to the 2018 general valuation would open on February 21 and end on March 29 for those objecting in person. Online objections would be accepted until April 30.

The valuations of about 875,000 properties have been updated based on actual sales on or around July 2 2018.

Neilson said it was important to remember that the growth in a property's value since the 2015 general valuation would not equate to a rise in someone's rates bill.

"Property valuations are independent of the money required to fund services. Cape Town experienced positive growth in property value over the last three years," he said.

"This is advantageous to property owners. Although the year-on-year property growth in the first half of 2018 has, in some areas, been less substantial than in the recent past, the full three-year period between the valuation cycles should be considered to determine the trend."

An indication of rates payable based on new valuations would be ready by April, said Neilson. "This will be after the new rate-in-the-rand is determined by council, and this is subject to the city's budget requirements for the 2019-2020 financial year."

The first rates bills based on the new valuations will be sent out in July.

Neilson said Cape Town conducted a general valuation every three years, rather than the four years specified in legislation, to ease the impact of large fluctuations in property prices.

"The city valuer makes use of a computer modelling programme called computer-assisted mass appraisal, which uses sales data, aerial imagery and other property information [for example the property's location, size, number of rooms, outbuildings, general quality and view] to determine the market value of a property," he said.

"The results are then reviewed by professional property valuers and adjusted if necessary. There is no involvement by councillors in the determination of property values, nor may they be involved in dealing with any objection to a valuation."

A city council statement said those objecting to valuations should provide a motivation.

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"It is advisable to use sales of comparable properties sold on or around the date of valuation," it said.

"A comparison with neighbouring properties on the valuation roll does not suffice as a motivation for an objection."

Notices will be sent to every ratepayer about their new valuation, and the new valuation roll will be available online from February 21 and at 32 venues across Cape Town.

Cape Town's new property valuations to be listed on February 21

Cape Town – The public inspection and objection period for registered property values in Cape Town will commence on February 21.

The City of Cape Town's General Valuation 2018 (GV2018) has been completed and signed off by the City manager, it said in a statement on Tuesday.

Individual notices will be posted to property owners and the GV2018 Roll will be available on the City's website from February 21 and will also be displayed at 32 venues across the city.

In-person objections will be accepted at 32 venues across the city until March 29. Online objections may be submitted electronically via the City's e-services portal or via email until April 30. No extensions for objections will be considered.

Property values on the GV2018 valuation roll are based on actual sales which occurred on or around July 2, 2018. The percentage growth in property value does not mean that rates will increase by the same percentage.

The GV2018 Roll contains some 875 000 registered properties in Cape Town and is drawn up for the purpose of billing fair rates to each property owner, the City said.

It said rates income is needed so that the City can pay for shared public services such as roads, street lights, parks, beaches, area cleansing, libraries, clinics, law enforcement and fire services.

The City emphasised that it does not make a profit on rates. The value of rates required is determined in the City's budget.

A calculation is also made to determine what rebates should be made to the vulnerable in our society and to see how rates can be levied in the most affordable manner for ratepayers.

"Property valuations are not based on speculation but on market value at the date of the valuation, which in this case is on or around 2 July 2018. There is no difference between 'market value' and 'municipal value'," the City said.

"It is also often falsely claimed that the percentage of property value growth determines the percentage that rates will increase by. Property valuations are independent of the money required to fund services.

"Cape Town experienced positive growth in property value over the last three years since the previous General Valuation in 2015. This is advantageous to property owners.

"Although the year-on-year property growth in the first half of 2018 has, in some areas, been less substantial than in the recent past, the full three-year period between the valuation cycles should be considered to determine the trend," said the City's Mayoral Committee Member for Finance, Ian Neilson.

An indication of the rates payable, based on the GV2018 valuation and the rating category, will be available on the City's website in April 2019. This will be after the new rate-in-the-rand is determined by the Council and this is subject to the City's budget requirements for the 2019/20 financial year.

The GV2018 Roll will be implemented for the billing of rates with effect from July 1.

How it is done

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- The City chooses to conduct a general valuation every three years, instead of the legislatively mandated four-year period, in order to mitigate against large fluctuations in property values between general valuations.
- The City Valuer makes use of a computer modelling programme called Computer-Assisted Mass Appraisal (CAMA), which uses sales data, aerial imagery and other property information (for example the property's location, size, number of rooms, outbuildings, general quality and view) to determine the market value of a property.
- The results are then reviewed by professional property valuers and adjusted if necessary. There is no involvement by councillors in the determination of property values, nor may they be involved in dealing with any objection to a valuation.

It said the City's Valuation Office takes pride in being the leading city in South Africa pertaining to its valuation processes and implements several precautions to ensure that the valuations produced are accurate and market related, including undergoing an independent external audit.

Public inspection venues

More information about the operations of the public inspection and objection venues can be obtained from the City's website at www.capetown.gov.za/propertyvaluations

Objections may be submitted as follows

- February 21 until April 30, 2019: Directly via the e-services portal by registering at eservices@capetown.gov.za
- February 21 until April 30, 2019: By downloading the prescribed objection form from www.capetown.gov.za/propertyvaluations and submitting the completed form to valuationsobjection@capetown.gov.za
- February 21 until March 29, 2019: By visiting one of the City's public inspection and objection venues

Nature of objections

- When submitting an objection, it is important to provide a motivation as to why it is believed that the valuation is incorrect. It is advisable to use sales of comparable properties sold on or around the date of valuation (2 July 2018) as motivation for an amended valuation.
- A comparison with neighbouring properties on the valuation roll does not suffice as a motivation for an objection.

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